

REPORT OF THE COMMITTEE ON PUBLIC WORKS AND SUSTAINABILITY

Voting Members:

Stanley Chang, Chair; Ann H. Kobayashi, Vice Chair
Joey Manahan, Ron Menor, Kimberly Marcos Pine

Committee Meeting Held
September 25, 2013

Honorable Ernest Y. Martin
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Public Works and Sustainability, to which was referred Resolution 13-201 entitled:

“RESOLUTION REQUESTING THE CITY AUDITOR TO PERFORM A
COMPREHENSIVE MANAGEMENT AND PERFORMANCE AUDIT OF THE
BOARD OF WATER SUPPLY,”

introduced on August 22, 2013, reports as follows:

The purpose of this Resolution is to request the City Auditor to perform a comprehensive management and performance audit of the Board of Water Supply.

The Manager and Chief Engineer of the Board of Water Supply testified in support of Resolution 13-201 and noted that he would work with the City Auditor.

There was also one individual who testified in support of Resolution 13-201.

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON OCT 9 2013

COMMITTEE REPORT NO. 289

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Your Committee on Public Works and Sustainability is in accord with the intent and purpose of Resolution 13-201 and recommends its adoption. (Ayes: Chang, Kobayashi, Manahan, Menor, Pine - 5; Noes: None.)

Respectfully submitted,



Committee Chair

At the 10/9/13 Council meeting, the Resolution was amended and subsequently adopted in the form attached hereto as Resolution 13-201, FD1.

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CITY OF HONOLULU
CLERK OF THE CITY COUNCIL

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

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COMMITTEE REPORT NO. 289



RESOLUTION

REQUESTING THE CITY AUDITOR TO PERFORM A COMPREHENSIVE
MANAGEMENT AND PERFORMANCE AUDIT OF THE BOARD OF WATER SUPPLY.

WHEREAS, the Board of Water Supply ("BWS") is a semi-autonomous agency with the following characteristics:

- The BWS mission is to manage Oahu's municipal water supply and distribution system, with full and complete authority to manage, control, and operate Oahu's water systems;
- The BWS supplies approximately 150 million gallons of water a day to roughly one million customers through an intricate system of 94 active potable water sources, 170 reservoirs, and nearly 2,100 miles of pipeline islandwide;
- The BWS has sole discretion to set water charges, whereas the City Council sets charges and fees for all other City services;

and

WHEREAS, in October 2006, the Office of the City Auditor ("City Auditor") released an audit report of selected management issues at the BWS (Report No. 06-07) that raised a number of concerns, including the inability of the BWS to adequately devote resources to growing maintenance and repair needs while awarding bonuses and salary increases to BWS executives, and project management and accounting deficiencies. These and other findings resulted in the City Auditor making sixteen recommendations to address problems and issues; and

WHEREAS, the City Auditor issued an audit recommendations status report in May 2011 (Report No. 11-04) that noted that all sixteen audit recommendations were either completed, resolved or dropped, which highlighted the need for the audit, its findings, and subsequent recommendations as seen in the actions and compliance of the BWS in response to the audit recommendations; and

WHEREAS, since the 2006 BWS audit report, new and troubling issues and concerns have arisen, including the following:

- Reports that the recent change from a bimonthly billing system to a monthly billing system has resulted in the doubling of a service fee that ratepayers expected to be halved, and, in fact, is anticipated to increase in the future;



RESOLUTION

- Reports that the BWS has recently charged ratepayers an estimated billing amount instead of the amount based on actual usage, resulting in confusion and frustration for water users;
- Concerns regarding the efficiency of BWS strategic planning;
- Concerns regarding the economy, effectiveness, and efficiency of BWS operations;
- Concerns regarding the costs of BWS operations; and
- Concerns regarding the frequency of BWS water line breaks due to aging infrastructure;

and

WHEREAS, the City Council finds an updated audit is needed to go beyond City Auditor Report No. 06-07; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to perform a comprehensive management and performance audit of the Board of Water Supply; and

BE IT FURTHER RESOLVED that the Council requests the City Auditor to report its findings and recommendations on concerns and issues including, but not limited to, the following determinations:

- Whether management policies and procedures fulfill the BWS mission and benefit Honolulu taxpayers;
- What performance measurements are utilized that adequately gauge the effectiveness and efficiency of BWS operations;
- Which financial tools and controls are in place that provide assurance that the BWS is using taxpayer funds effectively and efficiently;
- Whether the status and powers of the BWS as a semi-autonomous agency should be maintained;
- What problems were associated with the new billing system implementation, including conversion from bi-monthly to monthly billing and increased meter reading responsibilities;



RESOLUTION

- Whether the BWS can improve operational efficiency and effectiveness and reduce costs by: 1) improving its management policies and/or procedures; 2) improving customer service, especially by decreasing call wait times; 3) comparing costs and operations with other water jurisdictions; and 4) improving transparency through better communications with the public and the Council; and
- Whether the BWS rate structure is fair to all customers when comparing BWS rates, water costs and operational costs with similar jurisdictions that are water providers;

and

BE IT FINALLY RESOLVED that copies of this Resolution be sent to the Mayor, the Managing Director, the Chair of the Board of Water Supply, and the City Auditor of the City and County of Honolulu.

INTRODUCED BY:

Ron Menor

DATE OF INTRODUCTION:

August 22, 2013
Honolulu, Hawaii

Councilmembers